

Report on the

**Alabama Department of  
Environmental Management  
State of Alabama  
Montgomery, Alabama**

**October 1, 2015 through September 30, 2019**

**Filed: December 3, 2021**



**Department of  
Examiners of Public Accounts**

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*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

**State of Alabama**  
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Honorable Rachel Laurie Riddle  
Chief Examiner of Public Accounts  
Montgomery, Alabama 36130

Dear Madam:

An examination was conducted on the Alabama Department of Environmental Management, Montgomery, Alabama, for the period October 1, 2015 through September 30, 2019, by Examiners Cindy McIntyre, Ahmad Stringer and Claudia Wise. Cindy McIntyre served as Examiner-in-Charge on the engagement. Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the examination.

Respectfully submitted,

Brad Grier  
Examiner of Public Accounts

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## Department of **Examiners of Public Accounts**

### **SUMMARY**

#### **Alabama Department of Environmental Management October 1, 2015 through September 30, 2019**

This report presents the results of an examination of the Alabama Department of Environmental Management (“ADEM”) and a review of ADEM’s compliance with applicable laws and regulations of the State of Alabama. This examination was conducted in accordance with the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12. Our examination was performed to determine whether the public officers, agents, and employees of ADEM properly and lawfully accounted for all money and other public assets or resources received, disbursed, or in the custody of ADEM. Our examination included determining compliance by the Department with state laws and regulations that pertain to financial transactions; personnel; safeguarding of state-owned assets, property, and resources; information dissemination, processing, and retention; and official actions, rulemaking procedures, and meetings. As a part of our examination, we also reviewed internal control policies and procedures relating to the areas listed above. Our examination did not encompass managerial and operational matters, such as whether ADEM accomplished its mission or its regulatory, enforcement, investigative, or other oversight activities in an efficient, fair, timely, or legal manner. ADEM’s financial information for the last two fiscal years of the examination period is included as Exhibit 1.

ADEM operates under the authority of the *Code of Alabama 1975*, Sections 22-22A-1 through 22-22A-17 and operates under the direction of the Environmental Management Commission (the “Commission”). The Commission is composed of 7 members who are appointed by the Governor with the advice and consent of the State Senate.

ADEM’s mission is to manage the natural resources of the State in a manner compatible with the environment and the health and welfare of the citizens of the State by carrying out a coordinated and comprehensive program of environmental management.

ADEM owned nonconsumable personal property consisting of items including automobiles, office furniture, computers, and equipment. Nonconsumable personal property in the custody of ADEM was compared with property records maintained by the Property Inventory Control Division of the State Auditor’s Office. No discrepancies were noted.

### **FINDING**

The following instance of noncompliance with State laws and regulations and other matters was found during the examination, as shown on the Schedule of State Legal Compliance and Other Findings and it is summarized below.

- ◆ 2019-001 relates to duplicate payments made to Commission members for attendance at Commission meetings.

### **EXIT CONFERENCE**

An exit conference was held via teleconference on August 31, 2021. Individuals in attendance were Russell Kelly, Chief of Permits and Services Division; Pam Cousins, Fiscal Officer; and Daniel Bamberg, Accounting Manager, along with Brad Grier and Cindy McIntyre from the Department of Examiners of Public Accounts.



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*Schedule of State Legal  
Compliance and Other Findings*

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***Schedule of State Legal Compliance and Other Findings***  
***October 1, 2015 through September 30, 2019***

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Ref. No.	Finding/Noncompliance
2019-001	<p><b><u>Finding:</u></b> The <i>Code of Alabama 1975</i>, Section 22-22A-6(i)(1), states that each member of the Environmental Management Commission (the “Commission”) “shall receive one hundred dollars (\$100) per day for each day of attendance at an official meeting.” During our review of compensation for Commission members, we determined that several members of the Commission received duplicate payments for attending Commission meetings. ADEM took appropriate action to recoup all overpayments once the overpayment was brought to their attention.</p> <p><b><u>Recommendation:</u></b> The Alabama Department of Environmental Management should ensure that each member of the Environmental Management Commission is compensated only what is allowable under the <i>Code of Alabama 1975</i>, Section 22-22A-6(i)(1).</p>

***Schedule of Cash Receipts, Disbursements and Balances***  
***For the Fiscal Years Ended September 30, 2018 and 2019***

	<b>2018-2019</b>	<b>2017-2018</b>
<b><u>Receipts</u></b>		
Charges for Goods and Services	\$ 3,618,523.41	\$ 3,319,644.86
Investment Interest and Dividends	569,174.99	341,770.54
Net Increase (Decrease) in Fair Value of Investments	364,746.40	(101,073.78)
Other Nonoperating Revenues	79,494,144.50	79,802,753.01
Grants	58,623,425.99	48,445,138.64
Transfers In	57,698,491.99	25,559,412.07
Insurance Recovery Proceeds	25,471.45	
Total Receipts	<u>200,393,978.73</u>	<u>157,367,645.34</u>
<b><u>Disbursements</u></b>		
Personnel Costs	35,655,594.78	33,917,430.35
Employee Benefits	13,996,479.61	13,483,766.11
In-State Travel	363,356.24	352,504.11
Out-of-State Travel	154,251.15	129,155.79
Repairs and Maintenance	181,776.42	455,398.77
Rentals and Leases	1,098,888.29	1,096,059.08
Utilities and Communication	1,021,370.34	1,057,967.68
Professional Services	4,859,852.82	4,832,352.21
Supplies, Materials and Operating Expenses	2,900,749.43	2,226,877.98
Transportation Equipment Operations	326,009.79	343,717.93
Grants and Benefits	137,027,245.27	88,153,262.30
Transportation Equipment Purchases	64,839.72	732,798.43
Other Equipment Purchases	613,802.24	758,980.55
Miscellaneous	6,414,515.53	6,252,629.14
Total Disbursements	<u>204,678,731.63</u>	<u>153,792,900.43</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(4,284,752.90)</u>	<u>3,574,744.91</u>
Cash Balances at Beginning of Year	27,224,572.95	24,954,684.48
Balance Sheet Activity Impacting Total Ending Cash	<u>11,838,428.12</u>	<u>(1,304,856.44)</u>
Cash Balances at End of Year	<u>\$ 34,778,248.17</u>	<u>\$ 27,224,572.95</u>

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***Environmental Management Commission***  
***Members and Official***  
***October 1, 2015 through September 30, 2019***

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<b>Commission Members</b>		<b>Term Expires</b>
Hon. Samuel L. Miller, M.D.	Chairman	2022
Hon. H. Lanier Brown, II, Esq.	Vice-Chairman	2020
Hon. James E. Laier, Ph.D., P.E.	Member	2018 (1)
Hon. Elliot Craig Martin, D.V.M.	Member	2018
Hon. John (Jay) H. Masingill, III	Member	2020
Hon. Kevin McKinstry	Member	2024
Hon. Mary J. Merritt	Member	2024
Hon. Ruby L. Perry, D.V.M.	Member	2024
Hon. W. Scott Phillips	Member	2017 (1)
Hon. Scott Promer, P.E.	Member	2017 (1)
Hon. Terry D. Richardson, Ph.D.	Member	2018
Hon. Thomas P. Walters, P.E.	Member	2022

**Official**

Mr. Lance R. LeFleur	Director Alabama Department of Environmental Management 1400 Coliseum Boulevard Montgomery, AL 36110
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(1) Resigned prior to expiration of term

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***Scrap Tire Commission Members***  
***October 1, 2015 through September 30, 2019***

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<b>Commission Members</b>		<b>Term Expires</b>
Hon. James “Mike” Thornton	Chairman	Indefinite
Hon. Adam Anderson	Vice-Chairman	Indefinite
Hon. Shane Adams	Member	2016
Hon. Fred Blackwell	Member	Indefinite
Hon. Jim Caton	Member	2018
Hon. Stephen A. Cobb, P.E.	Member	Indefinite
Hon. Mike Craft	Member	2018
Hon. Phil Davis	Member	2017
Hon. Jeff Ferguson	Member	2019
Hon. Bobby Gillespie	Member	Indefinite
Hon. Mike Godfrey	Member	Indefinite
Hon. Jon Howley	Member	Indefinite
Hon. Cheryl Lentz	Member	2018
Hon. Phyllis Mardis	Member	2019
Hon. Jeff Martin	Member	Indefinite
Hon. Mark Patterson	Member	Indefinite
Hon. David Roberson	Member	2019
Hon. Ken Stephens	Member	Indefinite
Hon. Randal H. Ward, CAE	Member	Indefinite

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***Underground and Aboveground Storage Tank Trust Fund  
Management Board Members  
October 1, 2015 through September 30, 2019***

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<b>Board Members</b>		<b>Term Expires</b>
Hon. Robert G. Norris	Chairman	2013 (1)
Hon. Rick Norton	Vice-Chairman	2011 (1)
Hon. Jon Barganier	Member	2016 (1)
Hon. Jeffrey C. Bowie	Member	2018 (1)
Hon. Wayne A. Hollar	Member	2018 (1)
Hon. Dean Peeler	Member	2016
Hon. Phil Phillips	Member	2016 (1)
Hon. Doris Reel	Member	2016 (1)
Hon. Robert Shepard	Member	2017 (1)
Hon. Todd Sitton	Member	2010 (1)

(1) Continues to serve beyond expiration of term

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# ***Alabama Department of Environmental Management***

## ***Listing of Funds***

### ***October 1, 2015 through September 30, 2019***

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The Alabama Department of Environmental Management (“ADEM”) operates from the following funds within the State Treasury:

- ◆ **Fund 0347** – The Alabama Department of Environmental Management Fund, created by the ***Code of Alabama 1975***, Section 22-22A-11, is ADEM’s operating fund. Funding sources include General Fund appropriated transfers, federal revenues, water well license fees, hazardous waste monitoring fees, bacterial testing fees, permit fees, contract fees, fines, and grants from the Alabama Department of Economic and Community Affairs.
- ◆ **Fund 0348** – The Alabama Hazardous Substance Cleanup Fund, created by the ***Code of Alabama 1975***, Section 22-30A-3, and is used to restore abandoned sites contaminated by hazardous substances. Funding sources include General Fund appropriations, interdepartmental transfers, federal grants, penalties, and reimbursements. Unexpended funds remaining at the end of the year do not revert to the General Fund, but remain in the fund and are reappropriated until expended.
- ◆ **Fund 0453** – The Alabama Water Pollution Control Revolving Loan Fund was created by ***Code of Alabama 1975***, Section 22-34-3, and is administered by ADEM as agent for the Alabama Water Pollution Control Authority. The authority’s revolving loan program was created by law in 1989 to issue bonds and to lend the bond proceeds to eligible municipalities at below-market interest rates for construction of wastewater treatment and collection facilities. ADEM is authorized to establish procedures and adopt such regulations as may be required to administer the revolving loan program through this fund in accordance with the Federal Clean Water Act and other federal and state laws. The Department of Examiners of Public Accounts issues a separate report on the Water Pollution Control Authority.
- ◆ **Fund 0454** – The Alabama Underground and Aboveground Storage Tank Trust Fund, created by the ***Code of Alabama 1975***, Section 22-35-4, is used for cleanup of sites contaminated by motor fuel from underground and aboveground storage tanks. Funding sources include a tax on gasoline distributors, which the Department of Revenue collects and forwards to the ADEM, and interest earned from investments. Disbursements and investments from this fund must be made by the Employees Retirement System (ERS). Unobligated funds must be invested by ERS for the benefit of the Fund.

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# ***Alabama Department of Environmental Management***

## ***Listing of Funds***

### ***October 1, 2015 through September 30, 2019***

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- ◆ **Fund 0605** – The Administrative Fee Fund receives fees from administration of loans made from the Alabama Water Pollution Control Revolving Loan Fund (Fund 0453) which is authorized by ***Code of Alabama 1975***, Section 22-34-3. The loans are administered by ADEM as agent for the Alabama Water Pollution Control Authority. Balances in Fund 0605 are used to pay ADEM's expenses associated with the administration of the loan program. ADEM receives annually as administrative fees,  $\frac{3}{4}$  of 1% of the outstanding loan balances. The Department of Examiners of Public Accounts issues a separate report on the Water Pollution Control Authority.
- ◆ **Fund 0805** – The Alabama Water Pollution Control Authority Fund was created by ***Code of Alabama 1975***, Section 22-34-3, and is administered by ADEM as agent for the Alabama Water Pollution Control Authority. The Department of Examiners of Public Accounts issues a separate report on the Water Pollution Control Authority. This fund is used for Financial Reporting purposes only by the Department of Finance.
- ◆ **Fund 0939** – The State of Alabama Drinking Water Revolving Loan Fund was created by the ***Code of Alabama 1975***, Section 22-23B-3, and is administered by ADEM as an agent for the Alabama Drinking Water Finance Authority. The Authority's revolving loan program was created by law in 1997 to issue bonds and to lend the bond proceeds to eligible local governmental units at below-market interest rates for construction of water treatment and distribution facilities. ADEM is authorized to establish procedures and adopt such regulations as required to administer the revolving loan program through this fund in accordance with the Federal Safe Drinking Water Act and other federal and state laws. The Department of Examiners of Public Accounts issues a separate report on the Drinking Water Finance Authority.
- ◆ **Fund 0955** – The Administrative Fee Fund receives fees from administration of loans made from the State of Alabama Drinking Water Revolving Loan Fund (Fund 0939) which is authorized by the ***Code of Alabama 1975***, Section 22-23B-3. The loans are administered by ADEM as an agent for the Alabama Drinking Water Finance Authority. Balances in Fund 0955 are used to pay ADEM's expenses associated with the administration of the loan program, and to match certain Federal grants as allowed by the United States Environmental Protection Agency. ADEM receives annually as administrative fees,  $\frac{3}{4}$  of 1% of the outstanding principal loan balances. The Department of Examiners of Public Accounts issues a separate report on the Drinking Water Finance Authority.



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***Alabama Department of Environmental Management***  
***Listing of Funds***  
***October 1, 2015 through September 30, 2019***

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- ◆ **Fund 0961** – The Alabama Drinking Water Authority Fund was created by the ***Code of Alabama 1975***, Section 22-23B-3, and is administered by ADEM as an agent for the Alabama Drinking Water Finance Authority. The Department of Examiners of Public Accounts issues a separate report on the Drinking Water Finance Authority. This fund is used for Financial Reporting purposes only by the Department of Finance.
  
- ◆ **Fund 1136** – The Scrap Tire Fund was created by the ***Code of Alabama 1975***, Section 22-40A-22. ADEM was designated the administering agency to develop and manage a remediation contract program for cleanup, management, or disposal of scrap tires. Balances in Fund 1136 are used by ADEM to administer the program in a way to ensure enforcement of the chapter in all counties. Funds collected by the department for violations pursuant to this chapter are deposited to the Scrap Tire Fund, except for a portion of those funds directed to ADEM to cover administrative expenses and enforcement. A scrap tire environmental fee is also collected at the point of sale from the consumer on replacement tires, whether or not the tires are mounted on a rim or wheel, in the amount of one dollar per tire.
  
- ◆ **Fund 1209** – The Solid Waste Fund is used by ADEM to pay the costs of remediation, abatement, removal, or other actions related to the closure of unauthorized dumps and landfills, including, but not limited to, equipment, labor, supplies, materials, and professional services. Twenty-five percent of the fees collected from the ***Code of Alabama 1975***, Section 22-27-17, are credited to this fund. The fund is also authorized to receive funding from other sources including interest generated by the fund, grants, allotments, and contributions, whether public or private.
  
- ◆ **Fund 1210** – The Alabama Recycling Fund is used by ADEM exclusively to provide grants to local governments, authorities, and nonprofit organizations for use in developing, implementing, and enhancing local recycling, reuse and waste minimization projects and programs. Twenty-five percent of the fees collected from the ***Code of Alabama 1975***, Section 22-27-17, are credited to this fund. The fund is also authorized to receive funding from other sources, including interest generated by the fund, grants, allotments, and contributions whether public or private.